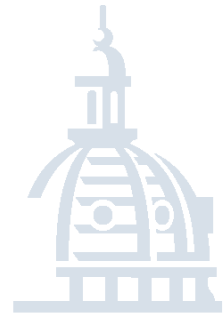


FISCAL UPDATE

Fiscal Services Division

November 10, 2010



OCTOBER MEDICAID FORECAST

Forecasting Group. Staff members from the Department of Human Services (DHS), Department of Management, and the Fiscal Services Division of the Legislative Services Agency (LSA) met on October 22, 2010, to discuss estimated Medical Assistance (Medicaid) expenditures for FY 2011 and FY 2012. The forecasting group meets monthly to discuss estimated expenditures and agree on a range for the current and upcoming fiscal years.

Medicaid Balance Sheet			
	<i>Final FY 2010</i>	<i>Estimated FY 2011</i>	<i>Estimated FY 2012</i>
Medicaid Funding			
Carryforward from Previous Year	\$ 36,587,215	\$ 57,523,302	\$ 0
Veterans Transfer to Hospital Rebase	1,833,333	0	0
Other Transfers	-3,774,367	0	0
ARRA Federal Recovery & Reinvestment Fund to MHIs	25,874,211	0	0
Property Tax Relief Transfer	3,271,911	0	0
Behavioral Health Account Carryforward	2,136,721	2,082,504	0
Senior Living Trust Fund	17,366,939	39,080,435	0
Transfer from Decat Waiver Waiting List	0	1,925,000	0
Cash Reserve Fund	0	172,800,000	0
Health Care Trust Fund	100,650,740	106,916,532	106,916,532
Nursing Facility Quality Assurance Fund	2,300,000	34,311,825	35,662,467
Hospital Trust Fund	0	39,406,000	39,231,000
Children's Health Insurance Performance Bonus	0	0	6,375,552
Total Non-General Fund for Medicaid	\$ 186,246,703	\$ 454,045,598	\$ 188,185,551
General Fund Appropriation	\$ 590,459,096	\$ 393,683,227	\$ 393,683,227
Covering All Children	47,523	2,297,649	2,297,649
Total All General Fund Sources	\$ 590,506,619	\$ 395,980,876	\$ 395,980,876
Total Medicaid Funding	\$ 776,753,322	\$ 850,026,474	\$ 584,166,427
Total Estimated State Medicaid Need	\$ 943,785,050	\$ 1,055,229,348	\$ 1,184,166,427
ARRA FMAP	-224,555,030	-104,209,602	0
ARRA Six-month Extension (Including Clawback)	0	-85,993,272	0
Total Estimated Medicaid Need	\$ 719,230,020	\$ 865,026,474	\$ 1,184,166,427
Midpoint of Balance/(Under Funded)	\$ 57,523,302	\$ -15,000,000	\$ -600,000,000
ARRA - American Reinvestment and Recovery Act			

FY 2011 Range. For FY 2011, the forecasting group agreed Medicaid will have a surplus of \$5.0 million to a supplemental need of \$35.0 million, with a midpoint of a \$15.0 million supplemental need. The range includes the 6.2% Federal Medicaid Assistance Percentage (FMAP) increase, including tier two of the FMAP unemployment increase through the first six months of FY 2011 and the phased out FMAP extension estimated at \$86.4 million, recently approved by Congress and signed by the President.

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In addition, the range takes into account a reduction of \$18.8 million for a lower State contribution for the Medicare Part D clawback payment to the federal government. The range also includes a \$15.0 million cash flow transfer from the Cash Reserve appropriation to Medicaid for the newly created Iowans Helping Iowans Program. It is assumed that legislative action will be required to restore the transferred funds.

FY 2012 Range. For FY 2012, the forecasting group agreed Medicaid will have a need of \$575.0 million to \$625.0 million, with a midpoint of a \$600.0 million need. The range assumes the elimination of all one-time funding sources including the Cash Reserve Fund, Senior Living Trust Fund, and ARRA funds. The range also assumes the statutory rebase of nursing facilities of \$13.7 million and increased Medicare related costs of \$14.1 million.

Phase-Out FMAP Extension Enacted. The United States Congress approved, and the President signed, legislation to extend the ARRA FMAP by six months, through the end of FY 2011. The extension reduces the enhanced FMAP rate from 6.2% to 3.1% for the period of January to March of 2011, with another reduction to 1.2% for the period of April through June of 2011. The FMAP extension is estimated to save the Medicaid budget \$84.6 million over the second half of FY 2011. However, this is \$39.3 million less than the amount that would have been saved if the full extension had been approved. Iowa assumed the full savings when calculating the FY 2011 budget.

Enrollment Increase. Medicaid continues to see rapid enrollment growth. In FY 2009, the Program added a total of 31,794 individuals, including 25,935 children. In FY 2010, the Program added an additional 27,164, including 19,286 children. In the first four months of FY 2011, the Program has added 4,826 individuals for a total program enrollment of 377,382.

Medicaid Enrollment Increases/(Decreases) for FY 2011					
FY 2011	Children	Adults	Aged	Disabled	Total
July	149	279	-106	117	439
August	1,471	1,034	68	337	2,910
September	-182	-414	-39	15	-620
October	1,345	319	19	414	2,097
Total	2,783	1,218	-58	883	4,826

STAFF CONTACT: Jess Benson (515-281-4611) jess.benson@legis.state.ia.us

STATE GOVERNMENT REORGANIZATION ACT UPDATE

Government Reorganization Update. Senate File 2088 (Government Reorganization and Efficiency Act) included multiple requirements and reports. The Fiscal Services Division of the LSA is providing a monthly update regarding action on items as the information becomes available. The following list contains results for recent items:

- Information released in mid-October indicates that the Department of Administrative Services (DAS) is in the process of merging multiple information technology (IT) systems and consolidating email accounts. Additional information is being requested to determine the source of the funding (whether General Fund or other funds) and whether the projected savings of \$26.8 million over a five-year period will result in a decrease in appropriations or savings of future expenditures.
- The Department of Cultural Affairs (DCA) is in the process of collecting electronic record requirements from various State agencies. Approximately one-half of the agencies had not reported the requested information to the DCA per the most recently received information.
- The Computer Services Division (CSD) of the LSA created web-based technology to allow departments to comply with the requirement that the noticed administrative rules be provided to the Chairpersons and Ranking Members of the appropriate standing Committees. The Administrative Rules Review Committee will receive a demonstration of the technology on November 9, 2010.

STAFF CONTACT: Sue Lerdal (515-281-7794) sue.lerdal@legis.state.ia.us

GOVERNMENT IMPROVEMENT WEBSITE

Website Update. At the beginning of 2009, the General Assembly established a website to gather public input toward the effort to make State government more efficient. The first web entry was received in February 2009. Periodically, the LSA compiles and submits the web responses to legislative committees such as the State Government Reorganization Commission that met during the 2009 Interim. The Commission's work and other legislative efforts resulted in enactment of SF 2088 (Government Reorganization and Efficiency Act) during the 2010 Legislative Session. The LSA continues to receive entries at the website: [Suggestions for Improving Iowa Government](http://www.legis.state.ia.us/suggestions). The entries are monitored and added to the website for public review.

STAFF CONTACT: Sue Lerdal (515-281-7794) sue.lerdal@legis.state.ia.us

SENATE FILE 2383 – COURT DEBT AMNESTY PROGRAM

Program Background. The Department of Revenue implemented the Court Debt Amnesty Program on September 1, 2010. The Program runs through November 30, 2010. Individuals confined to jail, prison, or under correctional supervision are not eligible for the Program. Eligible outstanding court debt must be four years old or older. Forgiveness is equal to 50.0% of the eligible debt owed and payment must be in a lump sum. Individuals currently enrolled in another payment plan are not eligible for the Amnesty Program.

Fiscal Estimate and Results. During the 2010 Legislative Session, the fiscal note for SF 2383 estimated a total of \$525.3 million in court debt outstanding and \$216.1 million of the total was identified as being more than four years old. The one-time revenue estimate for enactment of an amnesty program for FY 2011 was \$3.2 million and represented 1.5% of the total debt older than four years old. As of October 31, 2010, amnesty has been granted to 6,416 people and \$1.0 million has been collected from the Program and deposited in the General Fund. This represents 31.3% of the one-time revenue estimate for FY 2011.

STAFF CONTACT: Jennifer Acton (515-281-7846) jennifer.acton@legis.state.ia.us

DIRECT CARE WORKER TRAINING AND CREDENTIALING GRANT

Personal and Home Care Aide State Training Program. The Department of Public Health has been awarded federal funding in the amount of \$748,000 per year for three years for pilot training and credentialing of direct care workers in Iowa. Implementation of the pilot sites will be based on recommendations made by the Direct Care Worker Advisory Council and will be located in one urban and one rural location in the State. Personal and home care aides will be targeted for this pilot. They work primarily in home and community-based settings and provide support and services to aging individuals and individuals with disabilities.

Training Development. The Personal and Home Care Aide State Training Program, administered by the federal Health Resources and Services Administration (HRSA), will support the development of core competencies and curriculum, and will offer training to the pilot's participants. The Department plans to pilot mentoring and continuing education activities, conduct an evaluation of the pilot sites once implemented, and develop the information management system needed to issue credentials and collect data on the direct care workforce in Iowa. State funding is not needed to sustain the federal funding.

Reporting Requirement. This grant will assist the Department in meeting reporting requirements set in HF 2526 (FY 2011 Health and Human Services Appropriations Act). The end goal of the legislation is to establish a Board of Direct Care Workers by July 1, 2014, contingent on the availability of funds.

More Information. For more information about the Direct Care Worker Advisory Council visit: http://www.idph.state.ia.us/hcr_committees/direct_care_workers.asp.

STAFF CONTACT: Deborah (Helsen) Thompson (515-281-6764) deborah.thompson@legis.state.ia.us

FEDERAL GRANTS RECEIVED FOR PASSENGER RAIL

Federal Grant Award. The Federal Railroad Administration (FRA) announced that \$230.0 million in federal funding was awarded to Iowa and Illinois for a new passenger rail service route between Chicago and Iowa City, through the Quad Cities. The route will cover 219.5 miles and will provide twice-daily round-trip service. Trains will accommodate 230 passengers and will offer coach seating and food service. Average speeds are estimated to be 53.5 miles per hour (mph), with an initial maximum speed of 79.0 mph. New train stations will be established in Geneseo and Moline, Illinois, and in Iowa City. The entire project is expected to take four years and is scheduled for completion in 2015.

Application. The Iowa Department of Transportation (DOT), in collaboration with the Illinois Department of Transportation, submitted a joint \$248.0 million application under the FRA's High-Speed Intercity Passenger Rail Program. The total cost of the project is estimated to be \$310.0 million. Estimated cost distribution for the State's portion, based on the \$248.0 million application, was \$81.4 million in federal funding and \$20.6 million of State and local match. Illinois committed to providing \$45.0 million from its state capital plan for its match and contribution to the route. Illinois received \$10.0 million in a federal TIGER II grant to construct the passenger rail station in Moline.

Recent Funding. The General Assembly has appropriated funding for passenger rail in recent fiscal years. House File 822 (FY 2010 Infrastructure Appropriations Act) appropriated \$3.0 million for passenger rail from the Rebuild Iowa Infrastructure Fund (RIIF) in FY 2010. Senate File 2389 (FY 2011 Infrastructure Appropriations Act) provided \$2.0 million from the Underground Storage Tank Fund for FY 2011 and out-year funding of \$6.5 million for FY 2012 from the RIIF. In addition, SF 2389 included intent language that the General Assembly will fund up to \$20.0 million over a four-year period to fully fund the State's commitment for matching federal funding.

Funding Match. Of the amount appropriated so far, \$10.0 million will provide State match for the new route and be used for construction of the track and station, equipment, and related rail improvements such as train signal installation. An additional \$10.0 million in out-year funding beginning in FY 2013 is the estimated need to complete the State match and rail-related infrastructure improvements needed to begin service. A portion of the State match may be covered by Iowa City. According to the DOT, Iowa City is committed to providing a 20.0% match for the Iowa City Station. In addition, Iowa City committed to provide ongoing maintenance of the station once service is initiated. In addition, an estimated \$3.0 million will be needed annually for passenger rail operations once service begins in FY 2015. Illinois and Iowa have agreed to share operating costs and are anticipating entering into an agreement with Amtrak to operate the service. The current estimate for operations is based on Amtrak's revenue and ridership forecasts for the new route, but the methodology for estimating is being reviewed by the FRA, Amtrak, and the states and may be updated later.

Additional Federal Funding. Also in the October 2010 grants, the FRA announced \$400,000 in federal funding for the State to add a freight and passenger rail component to the existing Iowa Travel Analysis Model that currently forecasts travel capacity for highway corridors. The existing model assists DOT in determining the impacts of and need for current and future highway projects. The additional rail component will assist DOT in developing an integrated Statewide freight and passenger rail system plan and a more comprehensive forecast for travel demand for different types of transportation modes.

Federal Passenger Rail Funding. In addition to these new federal grants, in January the State received \$18.0 million in federal grants for passenger rail. One grant, for \$1.0 million, is to complete a study for passenger rail from Omaha to Chicago. The DOT is using \$1.0 million of the \$3.0 million FY 2010 appropriation for that study in addition to the federal grant. The study includes environmental assessments, evaluation of ridership potential, preparation of engineering plans, and cost estimates. The other grant for \$17.0 million is for infrastructure improvements on the rail lines that provide the existing Amtrak California Zephyr service across the southern part of the State. Operating costs for the California Zephyr route are funded by Amtrak and are not State-supported.

MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM ACTUARIAL REPORT

Actuarial Report. At the October 7, 2010, Board of Trustees meeting, the Board adopted the actuarial report. As of July 1, 2010, the retirement system members totaled 7,918, including 3,895 active members, 1,090 disabled members, 2,631 retirees and beneficiaries, and 302 vested terminated members. The Fund experienced a 10.95% return on investment in FY 2010. The contribution rate effective July 1, 2011, for the cities, as determined by the System's actuary, is set at 24.76% of "earnable compensation." This is an increase of 4.86% from the current year.

STAFF CONTACT: Jennifer Acton (515-281-7846) jennifer.acton@legis.state.ia.us

JUDICIAL RETIREMENT SYSTEM ACTUARIAL REPORT

Actuarial Report. As of July 1, 2010, there were 371 members of the Judicial Retirement System, including 190 active judges, 56 senior and retired senior judges, 71 retired judges, and 54 covered spouses. The Unfunded Actuarial Accrued Liability (UAAL) is \$56.6 million, a 63.7% funded ratio. The funding ratio increased by 2.1% and the UAAL decreased by \$1.1 million compared to the 2009 actuarial report. The Fund experienced a 12.5% return on investments in FY 2010. The State's actuarial contribution rate increased from 30.8% in the 2009 valuation to 31.38% in the 2010 valuation. The statutory contribution rate is 30.6% of pay.

STAFF CONTACT: Jennifer Acton (515-281-7846) jennifer.acton@legis.state.ia.us

LAW ENFORCEMENT ACADEMY BASIC TRAINING CLASS EXTENSION

Training Extension. At the August 5, 2010, meeting of the Iowa Law Enforcement Academy (ILEA) Council, the Council voted unanimously to extend the Basic Academy from 13 weeks to 14 weeks. The extension will be phased in. The Academy is in the process of filing administrative rules.

Recent Changes. Senate File 2088 (Government Reorganization and Efficiency Act) required the Academy to collect one-third of the total cost for training from the agency, one-third from the individual officer, and one-third from the State General Fund. The total cost of the 13-week Basic Academy is \$6,909 and was approved at the Council meeting in February 2010. The Academy will bill two-thirds of the total cost (\$4,606) to the law enforcement agency. The agency can require the officer to pay one-third (\$2,303) of the total cost. The agency will decide whether or not to collect the money from the officer.

Training Cost. Although the Academy has been extended an additional week, the cost to attend for FY 2010 remains the same at \$6,909 until the next audit is completed. The Council will address the next audit at their February meeting in 2011.

STAFF CONTACT: Jennifer Acton (515-281-7846) jennifer.acton@legis.state.ia.us

BOARD OF CORRECTIONS MEETING

Board Meeting. The Board of Corrections met October 8, 2010, in Mason City. Second Community-Based Corrections (CBC) District Director Dot Faust welcomed the Board and guests to field services offices for probation and parole.

Director's Report. Director John Baldwin updated the Board on:

- The Transition Team at Fort Madison is working on policies and procedures for operating the new prison. Fort Madison will be a direct-supervision prison and this is a different mode of operation compared to the current prison.
- The Department of Corrections (DOC) staff received training through Disabilities Iowa, Inc.

- DOC staff attended several meetings regarding mental health issues, including the Ombudsman's Office and the Judicial Branch with the Department of Human Services. Prison admissions for civilians (Code Chapter 229 commitments) are increasing.
- The DOC is working with Iowa Prescription Drug Company to receive medications within two weeks of expiration so they may be used for offenders.

Research Report. Beth Skinner, Supervisor in the Sixth CBC District Department, presented research results of her doctoral dissertation titled "To What Extent Does Prisoners' Mental Illness Undermine Program Effectiveness?" Her findings and recommendations include:

- If mentally ill offenders receive vocational and educational programming, they will have lower recidivism and improved employment results.
- Work, education, and vocational training opportunities for offenders need to be expanded.

Level System. Deputy Director Jerry Bartruff presented information on recent meetings regarding the prison system's level system. The system provides rewards and punishments for offender behavior. The level system varies across the nine prisons and the DOC is in the process of standardizing the level system.

Construction Update. Deputy Director Brad Hier updated the Board on the bid awarded to Walsh, Inc., the lowest bidder for the construction of the new maximum-security prison at Fort Madison. Master Builders of Iowa and Weitz Construction are appealing the award. The Office of Attorney General and the Department of Inspections and Appeals will review the appeals. The appeals will slow down the construction project.

Next Meeting. The Board is scheduled to meet November 5 in Des Moines.

STAFF CONTACT: Beth Lenstra (515-281-6301) beth.lenstra@legis.state.ia.us

RECENT FISCAL SERVICES DIVISION PUBLICATIONS

Recent Publications. The Fiscal Services Division has recently published the following:

ISSUE REVIEWS

[State Prison System Budget](#)
[Emerald Ash Borer Overview](#)
[Electronic Document Management System \(EDMS\)](#)
[FY 2011 Judicial Branch Budget Impact](#)
[University Faculty Work Activities](#)
[Streamlined Sales and Use Tax Agreement](#)
[Narrowband Mandate and State Agency Communications Systems](#)
[Tuition at Iowa Regents Universities](#)

FISCAL TOPIC: [Shelter Care](#)

OTHER ITEMS

[Monthly General Fund Revenue Memo](#)
[12-Month Total Net Tax Receipts](#)
[Monthly General Fund Revenue Video](#)
[FY 2010 State Employee Salary Book](#)

STAFF CONTACT: Mary Shipman (515-281-4617) mary.shipman@legis.state.ia.us

MEETINGS MONITORED

Meetings Monitored. Following is a list of meetings attended and monitored by Fiscal Services staff. Please contact the staff listed for more information.

Meeting	Date	Staff Contact
IPERS Benefits Advisory Council (BAC) Board	10/04/2010	Jen Acton (281-7846)
Smart Planning Task Force Webinar – Public Meeting	10/06/2010	Deb Kozel (281-6767) Marcia Tannian (281-7942)
Iowa Law Enforcement Academy (ILEA) Council	10/7/2010	Jen Acton (281-7846)
Smart Planning Task Force Public Hearing - Boone	10/7/2010	Sue Lerdal (281-7794)
Area Education Agency (AEA) Task Force	10/8/2010	Shawn Snyder (281-7799)
Lake Delhi Task Force – Monticello	10/8/2010	Sue Lerdal (281-7794)
Iowa Board of Corrections	10/8/2010	Beth Lenstra (281-6301)
Business Disaster Case Management Task Force	10/12/2010	Ron Robinson (281-6256) Joe Brandstatter (281-8223)
Administrative Rules Review Committee	10/12/2010	Sue Lerdal (281-7794)
School Finance Roundtable	10/13/2010	Shawn Snyder (281-7799)
State Insurance Committee	10/13/2010	Ron Robinson (281-6256)
Iowa Small Business Loan Program Webinar	10/14/2010	Ron Robinson (281-6256)
Direct Care Workers Task Force	10/14/2010	Deborah Thompson (281-6764)
Natural Resource Commission	10/14/2010	Deb Kozel (281-6767)
Executive Council	10/18/2010	Jen Acton (281-7846)
Juvenile Justice Task Force	10/18/2010	Beth Lenstra (281-6301) Jen Acton (281-7846)
Environmental Protection Commission	10/19/2010	Deb Kozel (281-6767)
Smart Planning Task Force	10/20/2010	Sue Lerdal (281-7794) Deb Kozel (281-6767) Marcia Tannian (281-7942)
Capitol Planning Commission	10/20/2010	Marcia Tannian (281-7942)
Electrical Examining Board	10/21/2010	Jen Acton (281-7846)
State Records Commission	10/21/2010	Ron Robinson (281-6256) Joe Brandstatter (281-8223)
Des Moines Flood Seminar	10/21/2010	Deb Kozel (281-6767)
Public Safety Advisory Board Correctional Policy Subcommittee	10/25/2010	Beth Lenstra (281-6301)
Public Safety Advisory Board Sentencing Subcommittee	10/25/2010	Beth Lenstra (281-6301) Jen Acton (281-7846)
Public Safety Advisory Board Efficiency Subcommittee	10/26/2010	Jen Acton (281-7846)
Lake Delhi Task Force	10/27/2010	Deb Kozel (281-6767) Sue Lerdal (281-7794)
Board of Regents	10/27 & 28/2010	Dwayne Ferguson (281-6561)
Health and Long-Term Care Access Advisory Council	10/28/2010	Deborah Thompson (281-6764)
Public Safety Advisory Board Specific Crimes Subcommittee	10/28/2010	Beth Lenstra (281-6301)
AEA Task Force	10/29/2010	Shawn Snyder (281-7799)
Health Care Coverage Commission Workgroup IV	10/29/2010	Deborah Thompson (281-6764)
Business Disaster Case Management Task Force	11/2/2010	Sue Lerdal (281-7794) Joe Brandstatter (281-8223) Ron Robinson (281-6256)
Department of Natural Resources Stakeholder Meeting	11/3/2010	Deb Kozel (281-6767)
Governor's Homeland Security Conference	11/3/2010	Jen Acton (281-7846)
Fire Service Training Bureau	11/4/2010	Jen Acton (281-7846)
Electronic Health Information Advisory Council	11/5/2010	Deborah Thompson (281-6764)

View this document on the LSA website: <http://www.legis.state.ia.us/Fiscal/fiscupdt/>